

Message Text

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-05 NSCE-00 INR-07

CIAE-00 L-01 PRS-01 SP-02 PM-03 DODE-00 IGA-01 RSC-01

/045 W

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R 161530Z JAN 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1776

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY LIMA

AMEMBASSY QUITO

C O N F I D E N T I A L SANTIAGO 0314

LIMDIS

EO 11652: GDS

TAGS: ETRD, XM

SUBJ: CHILE, TRADE ACT AND BUENOS AIRES MFM

1. SUMMARY: GOC SEEKS TO BE HELPFUL IN SMOOTHING DOWN DIFFICULTIES WHICH HAVE ARISEN OVER GSP PROVISIONS OF TRA, AND AT BUENOS AIRES MFM GENERALLY. END SUMMARY.

2. I PAID COURTESY CALL ON FONMIN CARVAJAL JAN 15, FOR A TOUR D'HORIZON ON MY RETURN FROM WASHINGTON.

3. I REVIEWED FOR FONMIN EXISTING SITUATION WITH RESPECT TO POSSIBILITIES FOR ECONOMIC ASSISTANCE TO CHILE IN MONTHS AHEAD, AND ASSURED HIM PROBLEMS CREATED BY SUDDEN IMPOSITION OF BAN ON MILITARY ASSISTANCE, IN FOREIGN ASSISTANCE ACT, WERE UNDER INTENSIVE STUDY BY CONCERNED WASHINGTON AGENCIES.

4. FONMIN INDICATED GOOD GENERAL UNDERSTANDING OF THE US GOVERNMENT POSITION. WAS DELIGHTED TO LEARN THAT
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ARRANGEMENTS HAD BEEN COMPLETED AUTHORIZING \$15 MILLION

AGRICULTURAL COOPERATIVE DEVELOPMENT LOAN TO CHILE, NEWS OF WHICH WE ARE RELEASING IN SANTIAGO JAN 16 WITH WASHINGTON APPROVAL.

5. I TOOK OCCASION TO HAND FONMIN COPY OF MEMORANDUM "THE TRADE ACT AND LATIN AMERICA" WHICH HAD BEEN GIVEN TO LATIN AMERICAN AMBASSADORS THE PREVIOUS AFTERNOON IN THE DEPARTMENT. THIS TOUCHED OFF DISCUSSION WHICH INDICATED, FIRST, THAT GOC APPRECIATES BENEFICIAL EFFECTS LIKELY TO ACCURE FROM TRA; SECOND, THAT GOC WISHES TO HELP US IN ANY APPROPRIATE WAY IN SMOOTHING DOWN RIPPLES CAUSED BY RESTRICTION ON GRANTING OF GSP RE ECUADOR AND VENEZUELA; AND THIRD, THAT FOREIGN MINISTER, AND PRESUMABLY ENTIRE MINISTRY, WHICH IS IN PROCESS OF RADICAL REORGANIZATION, STILL LACK FULL UNDERSTANDING OF SCOPE AND IMPORT OF TRA.

6. RESPONDING TO MY QUESTION, FONMIN INDICATED CHILE WILL SOON BE GIVING US A NOTE REQUESTING ITS INCLUSION IN GSP AND PLEDGING NON-DISCRIMINATION AS REQUIRED. CARVAJAL ASKED HOW LONG IT WOULD BE BEFORE PREFERENCES WERE ACTUALLY GRANTED, AND I EXPLAINED THAT LENGTHY PROCESS LAY AHEAD SO THAT PREDICTIONS WERE DIFFICULT. CARVAJAL THEN ASKED IF GOC COULD NOT RECEIVE FROM US SOME TANGIBLE SIGN THAT IT WAS READY TO MOVE ON GSP PREFERENCES RE CHILE. HE APPEARED TO FEEL THAT IF CHILE AND OTHER COUNTRIES SEEKING GSP ADVANTAGES COULD WORK TOGETHER AT UPCOMING BUENOS AIRES MFM, DISRUPTIVE ACTIONS BY VENEZUELA, ECUADOR AND THEIR SUPPORTERS COULD BE MINIMIZED.

7. CARVAJAL IS NOT MODEL OF CLARITY WHEN HE ATTEMPTS TO ARTICULATE SUCH MATTERS, BUT HE WAS CLEARLY GROPING FOR SOME ARRANGEMENT WHICH WOULD ENABLE CHILEAN AND OTHER SYMPATHETIC GOVERNMENTS TO SUPPORT US ON LATIN AMERICAN TRADE POLICY. I SAID I WOULD ASK WASHINGTON WHETHER IT WOULD BE POSSIBLE TO ELICIT ANY EXPRESSION OF US GRATIFICATION ON RECEIPT OF UPCOMING CHILEAN NOTE. (RECOMMEND THAT I BE AUTHORIZED AT LEAST ORALLY TO MAKE SOME RESPONSE, THOUGH WE RECOGNIZE HERE THAT REALLY NONE IS CALLED FOR.)

8. CARVAJAL ALSO TOOK LINE THAT NEW US TAX ON CRUDE OIL IMPORTS ANNOUNCED BY PRESIDENT FORD IN HIS JAN 13 ADDRESS MIGHT BE CONSTRUED BY VENEZUELA AS "ANOTHER US BLOW." I EXPLAINED THAT TAX

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WOULD BE LEVIED ACROSS THE BOARD; THAT IT WAS PART OF ABSOLUTELY ESSENTIAL USG EFFORT TO REDUCE ITS DEPENDENCE ON FOREIGN PETROLEUM; AND THAT I TRUSTED VENEZUELA WOULD UNDERSTAND RATIONALE FOR AND NECESSITY OF USG ACTION.

9. COMMENT: WE WILL WORK ON FOREIGN MINISTRY ADVISERS TO ENSURE THAT CARVAJAL RECEIVES A BETTER GROUNDING ON THE SIGNIFICANCE OF TRA. AT SAME TIME, WE SUGGEST THAT CHILEAN GOVERNMENT'S DESIRE

TO BE HELPFUL AT BUENOS AIRES BE NOTED AND ENCOURAGED IN APPROPRIATE WAYS. IT SHOULD BE USEFUL TO KEEP CHILEANS WELL CLUED IN ON DEVELOPMENT OF ISSUES WHICH WILL BE DISCUSSED AT BUENOS AIRES, SO THAT WE CAN UTILIZE FULLY WHATEVER ASSIST THEY CAN GIVE US. AS WE RECAIVE FURTHER INFORMATION, I INTEND TO CULTIVATE FONOFF IN THIS SENSE.
POPPER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, ECONOMIC ASSISTANCE, FOREIGN MINISTERS MEETINGS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANTIA00314
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750017-0884
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750146/aaaabohm.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 02 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 SEP 2003 by CunninFX>; APPROVED <18 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHILE, TRADE ACT AND BUENOS AIRES MFM
TAGS: ETRD, PFOR, XM, US, (CARVAJAL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006